

DEPARTMENT OF TREASURY

FINANCIAL MANAGEMENT SERVICES

FISCAL YEAR 2006

CONGRESSIONAL BUDGET SUBMISSION

**FINANCIAL MANAGEMENT SERVICE
FY 2006 BUDGET JUSTIFICATION
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SECTION 1 – STRATEGIC CONTEXT

STRATEGIC CONTEXT FOR THE FY 2006 BUDGET/PERFORMANCE PLAN (EXHIBIT 1A)

This document presents justification of the FY 2006 budget by demonstrating how funding enables achievement of the strategic plan goals of the Financial Management Service (FMS), and how achieving those goals is ascertained through performance goals, measures, and performance reports.

Mission

FMS' mission is to provide central payment services to Federal program agencies, operate the Federal government's collections and deposit systems, provide Governmentwide accounting and reporting services, and manage the collection of delinquent debt. This is accomplished by providing financial services, information, advice, and assistance to customers, which include taxpayers, the Department of the Treasury, Federal agencies, Government policymakers, and Congress.

Key Strategic Issues

Funds are requested by FMS to continue providing critical services to millions of United States taxpayers and its other diverse base of customers and to maintain a high level of success in achieving Treasury's and FMS' strategic goals. The FMS' FY 2006 Budget embodies Treasury's leadership strategy to create value for the American people, provide responsible and effective stewardship over the Government's finances, and focus on quality service results and innovation. The FMS FY 2006 Budget provides significant support for the President's Management Agenda to improve the financial performance of the United States Government and for key activities that are part of the nation's critical infrastructure (payments, collections, and cash balance and forecasting) so that they can continue to be performed in an uninterrupted fashion and at an outstanding level of service. The key strategic issues facing FMS, as reflected in its Strategic Goals, are to (1) to provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future; (2) to provide timely collection of Federal Government receipts, at the lowest cost, through an all electronic Treasury; (3) to maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services; (4) to produce accurate, accessible, and timely Governmentwide financial information and reports which contribute to the improved quality of the Nation's financial decision making; (5) to facilitate the achievement of a clean audit opinion on the *Financial Report of the United States Government* through FMS' internal operations and support to Government agencies; and, (6) to establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.

Key Strategy Impacts

Payments: FMS continues to expand the use of electronic media to deliver Federal payments, improve service to payment recipients, and reduce Government program costs. These efforts help decrease the number of paper checks issued and minimize costs associated with postage, the re-issuance of lost, stolen, and misplaced checks, and inefficiencies associated with the non-electronic delivery of benefits.

Collections: FMS is focusing on the expanded use of the Electronic Federal Tax Payment System (EFTPS) and other electronic collection mechanisms to increase electronic collections and reporting. EFTPS accelerates the collection of tax dollars and information and reduces reporting errors in the tax collection system, which benefits both the taxpayer and the Federal Government. In FY 2004 FMS renegotiated its banking agreements for EFTPS, leading to annual savings of 65 percent within the Financial Agent Services Permanent, Indefinite appropriation. The Collections activity underwent a PART (Program Assessment Rating Tool) review for the FY 2006 budget cycle and received an “Effective” rating.

Debt Collection: FMS is focusing on incorporating all non-Treasury disbursed salary and vendor payments into FMS’ offset programs for collecting delinquent debt; continuing to roll out Debt Check, FMS’ program to help agencies bar delinquent debtors from obtaining new loans or loan guarantees; continuing development of a single interface to FMS systems which will include replacing the existing cross-servicing system; and continuing enhancements to mission-critical systems to provide better service to agencies that refer debts for collection. The Debt Collection activity received an “Effective” rating on OMB’s Program Assessment Rating Tool (PART) for FY 2005.

Governmentwide Accounting and Reporting: FMS will continue to place increased emphasis on program activities related to strengthening Governmentwide accounting operations through the continued rollout of the new Governmentwide Accounting system that will significantly reduce agency reporting requirements and reconciliation burdens. Other areas of focus include preparing and issuing the Government’s consolidated financial statements in a more timely fashion so that the information can be considered in the budget process and providing increased guidance, direction, and leadership to program agencies on Governmentwide accounting issues.

FMS SUPPORT OF TREASURY GOALS AND OBJECTIVES (TABLE 1.1)

The table below displays the relationship between FMS' strategic and performance goals to Treasury's Strategic Plan.

Treasury Strategic Goal: Manage the U.S. Government's Finances Effectively (F4)		
Treasury Strategic Objective	FMS Strategic Goal	Performance Goals Linked to Strategic Goal
Collect Federal tax revenue when due, through a fair and uniform application of the law. (F4A)	<p>Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.</p> <p>Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services.</p>	<p>A. Provide timely collection of Federal government receipts, at the lowest cost, through an all-electronic Treasury.</p> <p>B. Maximize collection of government delinquent debt by providing efficient and effective centralized debt collection services.</p> <p>C. Establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.</p>
Manage Federal debt effectively and efficiently. (F4B)	<p>Provide timely collection of Federal government receipts, at the lowest cost, through an all-electronic Treasury.</p>	<p>A. Provide timely collection of Federal government receipts, at the lowest cost, through an all-electronic Treasury.</p> <p>B. Establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.</p>
Make collections and payments on time and accurately, optimizing use of electronic mechanisms. (F4C)	<p>Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future.</p> <p>Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.</p>	<p>A. Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future.</p> <p>B. Provide timely collection of Federal government receipts, at the lowest cost, through an all-electronic Treasury.</p> <p>C. Establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.</p>
Optimize cash management and effectively administer the government's financial systems (F4D)	<p>Provide accurate, accessible and timely Governmentwide financial information and reports, which contribute to improved quality of the Nation's financial decision-making.</p> <p>Facilitate the achievement of a clean audit opinion on the <i>Financial Report of the U.S. Government</i> through FMS' internal operations and support to Government agencies.</p>	<p>A. Provide accurate, accessible and timely Governmentwide financial information and reports, which contribute to improved quality of the Nation's financial decision-making.</p> <p>B. Facilitate the achievement of a clean audit opinion on the <i>Financial Report of the U.S. Government</i> through FMS' internal operations and support to Government agencies.</p> <p>C. Establish policies and processes to facilitate the integration of e-commerce technologies into FMS' business programs and infrastructure.</p>

APPROPRIATION LANGUAGE SHEET AND JUSTIFICATION OF LANGUAGE CHANGES (EXHIBIT 1C)

DEPARTMENT OF THE TREASURY

FINANCIAL MANAGEMENT SERVICE

Federal Funds

General and Special Funds:

SALARIES AND EXPENSES

For necessary expenses of the Financial Management Service, [\$230,930,000] \$236,243,000 of which not to exceed \$9,220,000 shall remain available until September 30, [2007] 2008, for information systems modernization initiatives; and of which not to exceed \$2,500 shall be available for official reception and representation expenses. (*Transportation, Treasury, Independent Agencies, and General Government Appropriations Act.*)

SECTION 2 – THE PERFORMANCE BUDGET

SUMMARY OF TOTAL PROGRAM OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE (Dollars in Thousands)			
TREASURY GOAL/OBJECTIVE	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
TREASURY GOAL: Manage the Government's Finances Effectively (F4)			
Appropriated Budget Obligations	\$228,657	\$229,083	\$236,243
Appropriated Full-time Equivalents (FTE)	1,654	1,818	1,818
Reimbursable Budget Obligations	\$187,382	\$151,135	\$167,770
Reimbursable Full-time Equivalents (FTE)	352	316	320
Total Budget Obligations	\$416,039	\$380,218	\$404,013
Total Full-time Equivalents (FTE)	2,006	2,134	2,138
<i>Objective : Collect Federal Tax Revenue When Due, Through a Fair and Uniform Application of the Law (F4A)</i>			
Appropriated Budget Obligations	\$25,207	\$20,705	\$21,380
Direct Full-time Equivalents	184	186	186
Reimbursable Budget Obligations	\$54,037	\$33,675	\$40,185
Reimbursable Full-time Equivalents	315	273	273
<i>Total Budget Obligations</i>	\$79,244	\$54,380	\$61,565
<i>Total Full-time Equivalents</i>	499	459	459
<i>Objective : Manage Federal Debt Effectively and Efficiently (F4B)</i>			
Appropriated Budget Obligations	\$874	\$835	\$855
Direct Full-time Equivalents	6	6	6
Reimbursable Budget Obligations	\$0	\$0	0
Reimbursable Full-time Equivalents	0	0	0
<i>Total Budget Obligations</i>	\$874	\$835	\$855
<i>Total Full-time Equivalents</i>	6	6	6
<i>Objective : Make Collections and Payments on time and accurately, Optimizing Use of Electronic Mechanisms (F4C)</i>			
Appropriated Budget Obligations	\$137,380	\$146,295	\$150,722
Direct Full-time Equivalents	1,027	1,207	1,207
Reimbursable Budget Obligations	\$132,845	\$116,960	\$127,085
Reimbursable Full-time Equivalents	33	39	43
<i>Total Budget Obligations</i>	\$270,225	\$263,255	\$277,807
<i>Total Full-time Equivalents</i>	1,060	1,246	1,250
<i>Objective : Optimize Cash Management and Effectively Administer the Government Financial Systems (F4D)</i>			
Appropriated Budget Obligations	\$65,196	\$61,248	\$63,286
Direct Full-time Equivalents	437	419	419
Reimbursable Budget Obligations	\$500	\$500	\$500
Reimbursable Full-time Equivalents	4	4	4
<i>Total Budget Obligations</i>	\$65,696	\$61,748	\$63,786
<i>Total Full-time Equivalents</i>	441	423	423

Financial Management Service

ANALYSIS OF FY 2005 APPROPRIATED LEVEL

	FTE	Amount (\$000)
FY 2005 President's Budget.....	1,818	\$230,930
Adjustments (+/-):		
Rescission (P.L. 108-447)	0	(\$1,847)
Subtotal Adjustments	0	(\$1,847)
FY 2005 Enacted Total (P.L. 108-447)	1,818	\$229,083

DIGEST OF FY 2006 BUDGET ESTIMATES BY ACTIVITY

(Dollars in Thousands)

BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Budget Enacted		FY 2006 Proposed Budget		INCREASE (+) OR DECREASE (-) FOR FY 2006					
							TOTAL CHANGES		PROGRAM CHANGES		OTHER CHANGES	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Appropriated Resources (all sources)												
1. Payments	1,173	\$136,534	1,173	\$141,287	1,173	\$145,591	0	\$4,304	0	\$799	0	\$3,505
2. Collections	113	\$16,426	113	\$16,693	113	\$17,102	0	\$409	0	\$0	0	\$409
3. Debt Collection	113	\$14,696	113	\$9,855	113	\$10,264	0	\$409	0	\$0	0	\$409
4. Governmentwide Accounting and Reporting	419	\$59,554	419	\$61,248	419	\$63,286	0	\$2,038	0	\$519	0	\$1,519
Total, Appropriated Resources	1,818	\$227,210	1,818	\$229,083	1,818	\$236,243	0	\$7,160	0	\$1,318	0	\$5,842
Adjustments (+/-):												
Offsetting Collections - Reimbursable (actual)	352	\$187,382	316	\$151,135	320	\$167,770	4	\$16,635	0	\$0	4	\$16,635
Expenditures from prior year's authority (net)	0	\$1,880	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Unobligated Balance Expiring	0	(\$433)	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Program Operating Level												
1. Payments	1,026	\$264,978	1,212	\$254,747	1,216	\$272,676	4	\$17,929	0	\$799	4	\$17,130
2. Collections	115	\$17,488	113	\$20,193	113	\$17,102	0	(\$3,091)	0	0	0	(\$3,091)
3. Debt Collection	424	\$67,877	386	\$43,530	386	\$50,449	0	\$6,919	0	0	0	\$6,919
4. Governmentwide Accounting and Reporting	441	\$65,696	423	\$61,748	423	\$63,786	0	\$2,038	0	\$519	0	\$1,519
Total, Program Operating Level	2,006	\$416,039	2,134	\$380,218	2,138	\$404,013	4	\$23,795	0	\$1,318	4	\$22,477

SUMMARY EXPLANATIONS OF FISCAL YEAR 2006 REQUESTED CHANGES BY ACTIVITY (Dollars in Thousands)										
Requested Changes	Payments		Collections		Debt Collection		Governmentwide Accounting & Reporting		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. PROGRAM REDUCTIONS	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
SUBTOTAL, PROGRAM REDUCTIONS	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
2. PROGRAM INCREASES/REINVESTMENTS										
Presort House Equipment	0	\$799	0	\$0	0	\$0	0	\$0	0	\$799
Federal Accounting Standards Advisory Board	0	\$0	0	\$0	0	\$0	0	\$519	0	\$519
SUBTOTAL, PROGRAM CHANGES	0	\$799	0	\$0	0	\$0	0	\$519	0	\$1,318
OTHER CHANGES:										
Adjustments Necessary to Maintain Current Levels:	0	\$3,505	0	\$409	0	\$409	0	\$1,519	0	\$5,842
SUBTOTAL, OTHER CHANGES	0	\$3,505	0	\$409	0	\$409	0	\$1,519	0	\$5,842
TOTAL CHANGES, BUDGET AUTHORITY	0	\$4,304	0	\$409	0	\$409	0	\$2,038	0	\$7,160

SUMMARY OF PROGRAM INCREASES AND DECREASES (EXHIBIT 2A)

In FY 2006, appropriated funding requirements for the Financial Management Service (FMS) are projected to be \$236,243,000. This is a total increase of \$7,160,440 over the FY 2005 total funding level of \$229,082,560 for salaries and expenses. The associated FY 2006 FTE level is 1818, the same FTE level as in FY 2005.

TOTAL REQUESTED PROGRAM CHANGES..... +\$7,160,440 / 0 FTE

TOTAL REQUESTED PROGRAM CHANGES (excluding MCLs)..... +\$1,318,000 / 0 FTE

1. PROGRAM DECREASES -\$1,554,000 / 0 FTE

FMS continuously reviews its operations to identify opportunities to realign resources to fund priority requirements, meet mission objectives, and support Treasury's Goal of *Managing the Government's Finances Effectively* within its budgetary constraints. For the FY 2006 Budget Cycle, FMS reviewed its programs to identify low-value efforts, non-recurring costs, and opportunities to re-engineer its business processes to seek optimal uses of limited resources. As a result of this review, FMS was able to redirect funding to higher mission critical needs. These decreases consisted of savings of (1) \$700,000 of reduced rental expenses realized as a result of moving one of our Regional Finance Centers from San Francisco to Oakland, CA; (2) \$429,000 in funding realized as a result of improved efficiencies in our payments and claims processes due to the implementation of the Treasury Check Information System (TCIS) and efficiencies created by the Automated Standard Application for Payments (ASAP); and (3) \$425,000 of non-recurred funding from the development phase of FMS' FY 2005 Accounting Information Infrastructure Initiative to standardize access to Federal accounting terminology. These savings (\$1,554,000) will be redirected in full to support computer security needs. In FY 2006, FMS will need to replace computer workstations that pose security risks to its network and Enterprise platform due to technical/operating software obsolescence. The net effect of this redirection is \$0.

2. BASE REINVESTMENTS\$1,554,000/ 0 FTE

a. Workstation Replacement.....\$1,554,000/0FTE

FMS will need to replace computer workstations that pose security risks to its network and Enterprise platform due to technical/operating software obsolescence. Funding for this project will come from program reduction and redirection identified above. No new program funding is requested for the workstation replacement project. The new effect of this redirection is \$0.

3. PROGRAM INCREASES.....\$1,318,000 / 0 FTE

a. Payments Capital Investments.....\$799,000 / 0 FTE

In FY 2006, FMS is requesting funding to continue to modernize its capital equipment to ensure the flawless issuance of Federal payments. This will include the purchase of presort equipment to allow FMS to sort payment files according to zip codes, and qualify the daily mail pieces for a discount postage rate of up to \$.06 per mail piece. Each year approximately 28.5 million daily mail pieces are mailed out at the standard postage rate. These mail pieces are daily vendor, miscellaneous, and salary payments, claims mailings and letters from various Federal agencies. Based on projected mail volumes, in addition to containing FMS' postage costs, this initiative is estimated to generate savings of over \$1.5 million per year Government-wide after full implementation.

b. Federal Accounting Standards Advisory Board (FASAB)..... \$519,000 / 0 FTE

The FMS appropriation includes an additional \$519,000 that would have otherwise been appropriated to the Office of Management and Budget (OMB). This amount represents OMB's portion of the annual payment to the Financial Accounting Standards Advisory Board (FASAB). Both OMB and Treasury share operating costs (\$519,000 and \$429,000, respectively) and responsibilities for improving government accounting standards as the two Executive Branch sponsors of FASAB. Under this new approach, FMS will forward a payment of \$938,000 to the FASAB. This single payment will streamline the payment and budget process and consolidate the Executive Branch's contribution to FASAB.

4. TOTAL ADJUSTMENTS TO BASE\$5,842,440 / 0 FTE

a. Adjustments Necessary to Maintain Current Levels.....\$5,842,440 / 0 FTE

Funds are requested for the FY 2006 cost of the January 2005 pay increase; the proposed January 2006 pay raise; other labor related benefits; and non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments.

SECTION 3 – EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY

The Financial Management Service's (FMS) FY 2006 performance budget is presented programmatically to align resources with performance. FMS' operations are divided into four major budget activities: Payments, Collections, Debt Collection, and Governmentwide Accounting and Reporting. For each activity, budget and performance information are provided to explain historical trends and performance challenges and expectations. In the first quarter of FY 2005, Treasury launched a process to streamline its current set of performance measures. Its purpose was to increase the value of the information provided to our stakeholders, respond to congressional requests, focus our priorities, and reduce administrative burden. Results of the process indicated a 60-70 percent reduction in the number of performance measures overall at the Treasury level. At the bureau level, measures that are no longer included in the budget submission are classified as "discontinued," and are indicated as such. The end result will be apparent in next year's performance report and budget submission, in the form of a more concise explanation of program performance relative to prior years.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – Payments Activity (EXHIBIT 3a)

Budget Activity: Payments

The Payments Activity supports Treasury's strategic objective: *Make Collections and Payments on Time and Accurately, Optimizing Use of Electronic Mechanisms*. The function of the Payments Activity is to develop and implement Federal payment policy and procedures, issue and distribute payments, promote the use of electronics in the payment process, and assist agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This function also includes controlling and providing financial integrity to the payments process through reconciliation, accounting, and claims activities. The claims activity settles claims against the United States resulting from Government checks which have been forged, lost, stolen, or destroyed, and collects monies from those parties liable for fraudulent or otherwise improper negotiation of Government checks. It also includes processing claims and reclamations for EFT payments. During FY 2004, FMS adjudicated 99.9 percent of all claims within 14 days.

FMS disburses 85 percent of the Federal Government's payments to a wide variety of recipients, such as those who receive Social Security, Internal Revenue Service (IRS) tax refunds, and veterans' benefits. In FY 2004, FMS issued approximately 940 million non-Defense payments, with a dollar value of approximately \$1.5 trillion, both timely and accurately. Seventy five percent of these transactions were issued by electronic funds transfer (EFT), an increase of 1 percent over FY 2003. The remainder of FMS' payments were disbursed by check.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – Payments (TABLE 3.1)

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>PAYMENTS BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Total Operating Level (appropriated and reimbursable)	\$273,995 1/	\$275,103 1/	\$276,150	\$251,722	\$264,978	\$254,747	\$272,676
Total FTE (direct and reimbursable)	1,189	1,141	1,163	1,212	1,026	1,212	1,216
Treasury Objective: Make Collections and Payments on Time and Accurately, Optimizing Use of Electronic Mechanisms (F4C)							
Appropriated Resources (Salaries and Expense Account)	\$167,460 1/	\$143,093 1/	\$139,264	\$136,534	\$132,133	\$141,287	\$145,591
Direct FTE	1,163	1,111	1,129	1,173	993	1,173	1,173
Offsetting Collections (reimbursable)	\$106,535	\$132,010	\$136,886	\$115,188	\$132,845	\$113,460	\$127,085
Reimbursable FTE	26	30	34	39	33	39	43
Performance Goal: Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment-processing environment for the future (4FC).							
Performance Measures:							
1. Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately. (Oe)	100%	100%	99.9998%	100%	100%	Discontinued	Discontinued
2. Percentage of paper check and Electronic Funds Transfer (EFT) payments made on time. (Oe)	100%	100%	99.9999%	100%	100%	Discontinued	Discontinued
3. Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately and on time. (Oe) (<i>New</i>)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	100%	100%
4. Percentage of Treasury payments and associated information made electronically. (Oe)	72% 2/	73%	74%	75%	75%	76%	78%

Financial Management Service

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>PAYMENTS BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
5. Unit Cost for Federal Government Payments. (E)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	\$0.35 2/	\$0.35	\$0.35
6. Percentage of check forgery and non-receipt claims adjudicated within 14 days. (M)	96.5%	98%	98%	94%	99.9%	Discontinued	Discontinued
7. Percentage of check forgery and non-receipt claims adjudicated within 12 days. (M)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Discontinued	Discontinued
8. Percentage of payments customers indicating an overall rating of satisfactory or better. (M)	100%	99%	99%	99%	98%	Discontinued	Discontinued
9. Percentage increase in dollar value loaded into stored value cards, compared to FY 2002 baseline of \$87 million. (Oe)	Not Applicable	Not Applicable	Not Applicable	15%	31%	Discontinued	Discontinued
10. FMS will assess the success of its efforts to address employee issues identified in a FY 2002 survey of employee satisfaction in FMS' Regional Financial centers. (M)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Discontinued	Discontinued
11. Number of electronic payments (thousands.) (Ot) 3/	677,413	665,905	684,832	696,000	705,966	Discontinued	Discontinued
12. Number of check payments (thousands.) (Ot) 3/	269,335 1/	252,849 1/	244,568	238,000	234,967	Discontinued	Discontinued
13. Number of check claims submitted (thousands.) (Ot) 3/	1,490	1,736	1,494	1,350	1,438	Discontinued	Discontinued
Key: Oe- Outcome Measure, E- Efficiency Measure, Ot- Output/workload Measure, and M- Management/Customer Satisfaction Measure.							

1/ Includes \$49,576,000 of FY 2001 supplemental funding FMS received for disbursement of tax relief (rebate) checks that were available and expended through FY 2002.

2/ The FY 2004 *Performance and Accountability Report* reports the actual for this measure as \$0.34. Due to finalization of FY 2004 information, the actual performance was \$0.35.

3/ Statistic has been removed from the performance measurement table and been added to a new "Summary of Workload Table".

Financial Management Service

FMS issues over 900 million payments a year, both electronically and via paper checks. The following chart provides the associated workload statistics:

SUMMARY OF WORKLOAD STATISTICS							
<u>PAYMENTS BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
14. Number of electronic payments (thousands.) (Ot)	677,413	665,905	684,832	696,000	705,966	725,040	748,749
15. Number of check payments (thousands.) (Ot)	269,335 1/	252,849 1/	244,568 2/	238,000	234,967	228,960	211,186
16. Number of check claims submitted (thousands.) (Ot)	1,490	1,736	1,494	1,350	1,438	1,300	1,300
Key: Ot- Output/workload Measure							

1/ Does not include approximately 86 million tax relief (rebate) checks during FY 2001 and FY 2002.

2/ Does not include tax relief (rebate) checks for child tax credit (23.7 million).

During FY 2004, FMS did not meet the following payment performance measure:

→ *Measure:* Percentage of payments customers indicating an overall rating of satisfactory or better.
Target: 99 percent
Performance 98 percent

Explanation of Shortfall: In an effort to obtain more meaningful data and identify areas for improvement, FMS added a question to its customer satisfaction survey regarding payment process improvements. Six out of 102 respondents would like to see a faster roll-out of some improvements, which FMS has and continues to focus on. Had this question not been added, FMS would have met this target.

SUMMARY OF REIMBURSABLE RESOURCES – Payments (TABLE 3.2)

Detail of Offsetting Collections (Reimbursable):

Description of Services - Listed below are the payment activities FMS provides to the Social Security Administration (SSA) Trust Fund, Railroad Retirement Board (RRB) Trust Fund, and Federal Program Agencies (FPAs).

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- **SSA Trust Fund Disbursement Services:** Reimbursement is received for processing and mailing benefit checks and disbursing benefits using Electronic Funds Transfer (EFT) and associated aftermath services such as return payments, non-receipt claims and non-entitlement reclamation processing. Additionally, reimbursement is received for the cost of other activities related to the payment of benefits such as EFT marketing, resolving EFT non-receipt issues, and payment documentation.
- **RRB Trust Fund Disbursement Services:** Reimbursement is received for the full cost (personnel and non-personnel) of disbursement services provided to RRB payment recipients.
- **Postage for Mailing Paper Checks:** Reimbursement is received for postage costs associated with mailing Internal Revenue Service tax refunds, Supplemental Security Income benefit payments, Veterans Affairs benefit payments, and the Office of Personnel Management retirement payments.
- **Check Storage and Retrieval Activities:** Reimbursement is received for check storage and check copy retrieval services to FPAs and Non-Treasury Disbursing Offices.
- **Mailing Promotional and Marketing Materials:** Reimbursement is received from FPAs for the costs of mailing/inserting marketing material with tax refund checks and other Federal payments.
- **Specialized Disbursing Activities:** Reimbursement is received from FPAs for the cost of agency specific disbursement services, including statement enclosures, pre-authorized debit services, and notification mailings.

Reimbursable Program Table – Payments
(\$s in 000s)

Program/Client – Description of Services	FY 2004 Enacted	FY 2004 FTE	FY 2005 Estimate	FY 2005 FTE	FY 2006 Estimate	FY 2006 FTE
Social Security Administration – SSA (includes Postage) _ SSA Trust Fund Disbursement Services	\$78,477	16	\$77,366	18	\$88,430	22
Railroad Retirement Board – RRB (includes Postage) – RRB Trust Fund Disbursement Services	\$579	4	\$936	8	\$887	8
Various Agencies – Postage for Mailing & Handling Paper Checks	\$34,029	4	\$33,014	0	\$30,751	0
Various Agencies – Check Storage & Retrieval Activity Support	\$255	0	\$200	0	\$160	0
Various Agencies – Mailing Promotional & Marketing Materials	\$56	1	\$46	1	\$48	1
Various Agencies – Specialized Disbursing Activities	\$1,792	14	\$1,898	12	6,809	12
Total: Payments	\$115,188	39	\$113,460	39	\$127,085	43

EVALUATION OF FY 2005 PERFORMANCE PLAN – Payments (EXHIBIT 3b)

Evaluation of FY 2005 Performance Plan compared with FY 2004

In FY 2005, more than 700 million payments will be made electronically; however, challenges remain in increasing growth in electronic payments. Overall, the direct deposit growth rate for Federal benefit payments has leveled off to a growth rate of less than 0.7 percent a year, a decrease of almost two-thirds since the late 1990's. As the government prepares for the huge increase in retiring Baby Boomers in the near future, it is critical that we reverse this trend. In FY 2003, FMS and the Federal Reserve initiated a market research effort conducted by Wirthlin Worldwide, a major research and consulting firm. This research targeted federal benefit check audiences to identify their receptivity to direct deposit, as well as the rational and emotional barriers to conversion, with the goal being to identify key causal factors that can be used to motivate and change existing behaviors. The results of this research are being used to plan an aggressive and proactive direct deposit marketing campaign in collaboration with the SSA and other federal benefit agencies. This marketing campaign, called GoDirect, will focus on the large portion of check recipients who, based on the Wirthlin marketing research, are inclined to convert from check to electronic payments. In the first-half of FY 2005, the GoDirect campaign will be piloted in 10 counties across three states and Puerto Rico to generate momentum for a potential nation-wide launch in mid-2005. The result of the pilot will be evaluated to determine whether and how to proceed with the national campaign. The plan is for the campaign to be national in scope but overlaid with a targeted, local presence built upon partnerships with tiered grassroots support. The goal of the campaign is to increase the percentage of electronic payments to 79 percent by the middle of calendar year 2007, which represents a larger increase in electronic payments than has occurred in the past few years. Assuming a full launch of the GoDirect campaign, the savings to the Government (i.e., the Social Security Trust Fund) is expected to be almost \$150 million over a ten year period. Another challenge is increasing the use of EFT to make tax refund payments. This requires support and coordination

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with IRS to achieve a significant increase in this area. Strong public outreach and education programs in both areas will be critical to success in increasing electronic payments. Historically, over 240,000,000 check payments are issued a year and for each check converted to direct deposit, the government saves approximately \$0.62.

FMS has also undertaken efforts to modernize its payment systems by incorporating new technologies and making full use of the Internet. The Secure Payment System (SPS) replaces the Electronic Certification System, which has reached technological obsolescence. SPS is the cornerstone of the payments process in which agencies certify the accuracy, validity, and legality of their payments. SPS provides a significant technological upgrade that is more efficient, more user-friendly, and web-accessible while providing greater integrity and security to the payments process.

FY 2006 PERFORMANCE PLAN – Payments (EXHIBIT 3c)

FY 2006 Proposed Program Performance:

FMS continues to expand the use of electronic media to deliver Federal payments, improve service to payment recipients, and reduce Government program costs. These efforts help decrease the number of paper checks issued and minimize costs associated with postage, and the re-issuance of lost, stolen, and misplaced checks, and inefficiencies associated with the non-electronic delivery of benefits. Some of the programs FMS will continue to focus on are:

- **Stored Value Card (SVC):** The SVC is a smart card with electronic money stored on an embedded computer chip. The SVC looks like a debit card but uses chip technology instead of the conventional magnetic strip. The SVC program is aimed at reducing the float loss associated with the more than \$2 billion in coin and currency in circulation at military bases, ships at sea, and other closed government locations around the world. Stored value cards reduce the high costs of securing, transporting, and accounting for cash. FMS estimates that in FY 2006 there will be a 70 percent increase in dollar value loaded into stored value cards when compared to the FY 2002 baseline.
- **ASAP.GOV:** ASAP.gov (Automated Standard Application for Payments) is a new web-based system built jointly by FMS and the Federal Reserve Bank of Richmond as a replacement for the original ASAP System. It is an all-electronic grant payment system through which organizations such as states, universities, for-profits and non-profits, receive federal funds from accounts pre-authorized by federal agencies. Total disbursements to organizations in calendar year 2004 were \$405 billion. Nineteen federal agencies transitioned to the new ASAP.gov in February 2004. FMS expects disbursements to dramatically increase as new users are brought on-line, and will continue working with FRB Richmond to improve service to Federal agencies and their clients by adding functionality to ASAP.gov.
- **Treasury Check Information System (TCIS):** This system replaces the outdated Check Payment and Reconciliation System (CP&R). TCIS was designed by a Federal Reserve Bank, which acts as our fiscal agent, and is a web-based application that uses commercial off-the-shelf software for process flow, accounting, reconciliation, and reporting functions for all Treasury checks. Phase two of the Treasury Check Information System (TCIS) project will merge the PACER On-Line System with

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TCIS. The Automated Clearing House (ACH) payments database will be moved under TCIS and a single interface will provide access for ACH and check payment inquiries. Continued development will occur to move ACH claims processing and case management to TCIS.

For FY 2006, FMS increased its target for percentage of electronic payments to 78 percent, which is a result of the GoDirect marketing campaign. Although FMS remains diligent in its efforts to increase the use of EFT, challenges remain which preclude the achievement of 100 percent EFT. Challenges that may be faced include special one-time payment programs, such as the Tax Relief Program, which may result in increased claims and reconciliation volumes, resulting in increased costs associated with check claims on these special payments. Also, the retrieval of digital check images and microfilm check copies may increase based on current/future litigation and court-ordered directives, which require the provision of check copies to substantiate or validate payment questions.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE - Collections (EXHIBIT 3a)

Budget Activity: Collections

The Collections Activity supports three of Treasury's strategic objectives: *Collect Federal tax revenue when due, through a fair and uniform application of the law; Manage Federal debt effectively and efficiently; and, Make collections and payments on time and accurately, optimizing use of electronic mechanisms.* The function of the Collections Activity is the management of the Government's collections infrastructure. FMS collects more than \$2.3 trillion annually through a network of more than 10,000 financial institutions. It also manages the collection of Federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines, and proceeds from leases. FMS establishes and implements collection policies, regulations, standards, and procedures for the Federal Government. FMS develops and operates a variety of collection mechanism and systems (e.g., Electronic Federal Tax Payment System (EFTPS), lockboxes, Treasury General Accounts, debit/credit cards, and Pay.gov) to meet program agency needs. FMS continues to promote the use of electronics in the collections process and assists agencies in converting collections from paper to electronic media. In FY 2004, 81 percent of the dollar amount of FMS collections were made electronically.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – Collections (TABLE 3.1)

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>COLLECTIONS BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Total Operating Level (appropriated and reimbursable)	\$12,035	\$11,931	\$14,440	\$31,588	\$17,488	\$20,193	\$17,102
Total FTE (direct and reimbursable)	81	99	103	113	115	113	113
Treasury Objective: Collect Federal Tax Revenue When Due, Through a Fair and Uniform Application of the Law (4FA)							
Appropriated Resources (Salaries and Expense Account)	\$7,823	\$7,755	\$9,386	\$10,677	\$11,368	\$10,850	\$11,116
Direct FTE	53	64	67	73	74	73	73
Treasury Objective: Manage Federal Debt Effectively and Efficiently (F4B)							
Appropriated Resources (Salaries and Expense Account)	\$602	\$597	\$722	\$821	\$874	\$835	\$855
Direct FTE	4	5	5	6	6	6	6
Treasury Objective: Make Collections and Payments on Time and Accurately, Optimizing Use of Electronic Mechanisms (F4C)							
Appropriated Resources (Salaries and Expense Account)	\$3,611	\$3,579	\$4,332	\$4,928	\$5,246	\$5,008	\$5,131
Direct FTE	24	30	31	34	35	34	34
Offsetting Collections (reimbursable)	\$0	\$0	\$0	\$15,162	\$0	\$3,500	\$0
Reimbursable FTE	0	0	0	0	0	0	0
Performance Goal: Provide timely collection of Federal Government receipts, at the lowest cost, through and all-electronic Treasury. F4(A), F4(B), F4(C)							
Performance Measures:							
1. Percentage collected electronically of total dollar amount of Federal government receipts. (Oe)	75.3%	79%	80% 1/	81%	81%	82%	83%
2. The dollar amount of collections transacted through Pay.gov, a Governmentwide- transaction portal. (Ot)	N/A	\$2 billion	\$3.77 billion	\$10 billion	\$3.8 billion 2/	Discontinued	Discontinued

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SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>COLLECTIONS BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
3. Percentage reduction in rate of increase in transaction costs to collect Federal government receipts through Electronic Federal Tax Payment System, compared to FY 2002 baseline (E)	Not Applicable	Not Applicable	Not Applicable	70%	100%	Discontinued	Discontinued
4. Percentage of collections customers indicating an overall rating of satisfactory or better. (M)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Discontinued	Discontinued
5. Unit Cost to Process a Federal Revenue collection transaction (E) (New)	Not Applicable	Not Applicable	Not Applicable	Baseline	\$1.40	\$1.40	\$1.40
Key: Oe- Outcome Measure, E- Efficiency Measure, Ot- Output/workload Measure, and M- Management/Customer Satisfaction Measure.							

1/ The FY 2003 *Performance and Accountability Report* reports the actual for this measure is 81 percent. Due to finalization of FY 2003 information, the actual performance was 80 percent.

2/ The FY 2004 *Performance and Accountability Report* reports the actual for this measure is \$4.04 billion. Due to finalization of FY 2004 information, the actual performance was \$3.8 billion.

During FY 2004, FMS did not meet the following collection performance measure:

→ **Measure:** The dollar amount of collections transacted through Pay.gov, a Governmentwide- transaction portal.
Target: \$10 billion
Performance: \$3.8 billion

Explanation of Shortfall: During FY 2003, FMS switched the primary software developer for Pay.gov because best practices were not exercised, commercially available product features were not utilized and there were scalability and maintenance issues. This switch led to some scheduling impacts and subsequently affected collections. Major portions of the system had to be re-developed by a new contractor. This prevented many revenue collection programs across the government from using the system until the last quarter of the fiscal year.

SUMMARY OF REIMBURSABLE RESOURCES – Collections (TABLE 3.2)

Detail of Offsetting Collections (Reimbursable):

FMS receives reimbursement from FPAs for the cost of agency specific collection services provided by Treasury's Financial Agents. In FY 2006, other funding mechanisms will be used to fund these services.

Reimbursable Program Table - Collections
(\$s in 000s)

Program/Client – Description of Services	FY 2004 Enacted	FY 2004 FTE	FY 2005 Estimate	FY 2005 FTE	FY 2006 Estimate	FY 2006 FTE
Total: Collection Activities	\$15,162	0	\$3,500	0	\$0	0

EVALUATION OF FY 2005 PERFORMANCE PLAN – Collections (EXHIBIT 3b)

Evaluation of FY 2005 Performance Plan compared with FY 2004

In FY 2005, 82 percent of the dollar amount of Federal receipts will be made electronically. FMS continues to move towards an all-electronic Treasury for the collection of Federal Government receipts. FMS will accelerate the use of Internet technology to enable Federal agencies to process collections and related forms over the Internet and allow business and individual taxpayers to enroll and pay Federal taxes through FMS' secure Internet website, Electronic Federal Tax Payment System Online (EFTPS). FMS recently renegotiated its banking agreement for EFTPS and included incentive awards for eliminating paper transactions and penalties if electronic transactions miss volume targets.

FMS is working to improve the efficiency of the lockbox network which supports the processing of collections for Federal agencies. The General Lockbox Network Rebid sought financial institutions interested in providing services that would implement cost-cutting measures like imaging technology, check truncation, paper check conversion (PCC), Pay.gov, and linking credit card collections to the lockbox processing operations. The goal of this effort is to reduce paper processing by converting paper transactions to ACH and transmitting data using Web-based technology to enhance the efficiency of the government's cash management operations. Another strategy is expediting document handling on behalf of Federal agencies at lockbox sites by providing document imaging services.

The Collections Activity underwent the OMB Program Assessment Rating Tool (PART) review for the FY 2006 budget cycle and received an "Effective" rating.

FY 2006 PERFORMANCE PLAN – Collections (EXHIBIT 3c)

FY 2006 Proposed Program Performance:

For FY 2006, FMS increased its target for percentage collected electronically of total dollar amount of Government receipts to 83 percent. FMS will continue to provide collection mechanisms that are flexible enough to accommodate the varying needs and technical sophistication of all taxpayers. This will be accomplished through the enhancement and marketing of such initiatives as:

- **EFTPS-On Line** which allows businesses and individuals to enroll and pay all Federal taxes through a secure Website. Prior to FY 2005, EFTPS was maintained and operated by two Financial Agents. Beginning in December 2004, the system is being run by only one Financial Agent which will yield additional efficiency and provide a substantial savings to the Government. Marketing efforts are underway to continue the increase in EFTPS usage and enrollments.
- **Paper Check Conversion**, which is technology that allows a paper check to be scanned, capturing the financial institution and account information, and then converting the payment to an electronic transaction using the Automated Clearinghouse (ACH). The result is a more reliable and efficient method for citizens and businesses to pay the Government and it provides each point-of-sale customer with a cancelled check and transaction receipt.
- **Check Truncation** is the process of transposing a paper check to a digital representation, and potentially back again, in order to reduce the cost of check processing and to accelerate the collection time. “Check 21”, a new law which became effective in October of 2004, will facilitate check truncation by allowing the use of paper “substitute checks.” Check 21 is applicable to all negotiable instruments (with the exception of foreign checks). Although not explicitly stated, it is expected that the new law will facilitate check truncation by exchanging electronic images, thus completely eliminating paper check processing.
- **Pay.gov** which is a secure Governmentwide collections and payments portal with the potential to process 80 million transactions totaling \$125 billion each year. Pay.gov responds to the increasing demands of consumers and businesses for electronic alternatives. It provides customers and businesses the choice of interacting online with their Government to complete forms and applications, make payments, and submit queries 24 hours a day, 7 days a week. FMS will continue to significantly increase the number of cash flows hosted on Pay.gov.

Security oversight efforts will increase at financial agent processing facilities and banking institutions as a way to proactively identify security control weaknesses and recommend ways to detect and deter fraud, waste, theft, and unauthorized access associated with the collection of Government remittances and protection of sensitive information. FMS will be finalizing implementation of the General Lockbox Rebid by conducting individual cash flow bids, establishing a framework of vault locations throughout the country for depositing seized currency, developing a standard process for selection of financial agents through either a designation or competitive selection, and making selections of financial agents to manage the competitive accounts up for renewal or rebid.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (EXHIBIT 3a)**Budget Activity: Debt Collection**

The Debt Collection Activity supports Treasury's strategic objective: *Collect Federal tax revenue when due, through a fair and uniform application of the law*. The function of the Debt Collection Activity is to provide debt collection operational services to FPAs and states as required by the Debt Collection Improvement Act of 1996 and related legislation. The services include, but are not limited to, collecting of delinquent debts through cross-servicing and offsetting Federal payments, providing a database as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice. FMS collects delinquent debt through two major programs: the Treasury Offset Program and Cross-Servicing. The Treasury Offset Program compares the names and taxpayer identifying numbers (TINs) of debtors with the names and TINs of recipients of Federal payments. If there is a match, the Federal payment is reduced, or "offset," to satisfy the overdue debt. Under Cross-Servicing, Federal agencies refer delinquent debt to FMS for collection through a variety of tools, including offset, demand letters to debtors, repayment arrangements, administrative wage garnishment, referrals to the Department of Justice, credit bureau reporting, reporting discharged debts to the IRS, and use of private collection agencies.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – Debt Collection (TABLE 3.1)

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>DEBT COLLECTION BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Total Operating Level (appropriated and reimbursable)	\$43,442	\$43,396	\$58,223	\$45,745	\$67,877	\$43,530	\$50,449
Total FTE (direct and reimbursable)	349	341	375	381	424	386	386
Treasury Objective: Collect Federal Tax Revenue When Due, Through a Fair and Uniform Application of the Law (4FA)							
Appropriated Resources (Salaries and Expense Account)	\$20,746	\$19,418	\$17,027	\$14,696	\$13,840	\$9,855	\$10,264
Direct FTE	129	89	93	113	109	113	113
Offsetting Collections (reimbursable)	\$22,696	\$23,978	\$41,196	\$31,049	\$54,037	\$33,675	\$40,185
Reimbursable FTE	220	252	282	268	315	273	273

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SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>DEBT COLLECTION BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Performance Goal: Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services. (F4A)							
Performance Measures:							
1. Amount of delinquent debt collected through all available tools. (Ot)	\$3.2 billion	\$2.84 billion	\$3.1 billion	\$2.9 billion	\$3.0 billion	\$3.0 billion	\$3.1 billion
2. Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral. (Ot)	89%	93%	92% 1/	90%	99%	92%	93%
3. Percentage increase in amount of debt collected for every dollar of debt collection program cost, compared to FY 2002 baseline of \$52.53 (Oe)	Not Applicable	Not Applicable	Not Applicable	7%	(4)%	Discontinued	Discontinued
4. Amount of delinquent debt collected per \$1 spent (E) (New)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	\$41.09	\$44.26
Key: Oe- Outcome Measure, E- Efficiency Measure, Ot- Output/workload Measure, and M- Management/Customer Satisfaction Measure.							

1/ The FY 2003 *Performance and Accountability Report* reports this measure at 91 percent. Due to finalization of FY 2003 information, the actual performance was 92 percent.

During FY 2004, FMS did not meet the following collection performance measure:

→ *Measure:* Percentage increase in amount of debt collected for every dollar of debt collection program cost, compared to FY 2002 baseline of \$52.53.

Target: 7 percent

Performance: (4 percent)

Explanation of Shortfall: In an effort to more fully fund this program through fee revenue, the Debt Collection Program absorbed additional indirect program costs in FY 2004. If these costs were not incurred, FMS would have met and/or exceeded the target performance measure.

SUMMARY OF REIMBURSABLE RESOURCES – Debt Collection (TABLE 3.2)Detail of Offsetting Collections (Reimbursable):

The Debt Collection Activity provides debt collection services to FPAs and states through the Treasury Offset Program (TOP - which includes the Tax Refund Offset Program), State Tax Debt Program, Federal Tax Levy, and the Cross-Servicing Program.

Reimbursable Program Table - Debt Collection
(\$s in 000s)

Program/Client – Description of Services	FY 2004 Enacted	FY 2004 FTE	FY 2005 Estimate	FY 2005 FTE	FY 2006 Estimate	FY 2006 FTE
Treasury Offset Program Fee Revenue	\$20,648	173	\$20,963	141	\$27,473	141
Cross Servicing	\$4,189	50	\$6,500	87	6,500	87
IRS Tax Levy	6,212	45	6,212	45	6,212	45
Total: Debt Collection Activities	\$31,049	268	\$33,675	273	\$40,185	273

EVALUATION OF FY 2005 PERFORMANCE PLAN – Debt Collection (EXHIBIT 3b)Evaluation of FY 2005 Program Performance Compared to FY 2004:

FMS will replace the current debt program cross-servicing system in 2005 with FedDebt, a system which will provide a single point of entry for agencies to refer their debts to FMS for collection and to access the delinquent debtor database. FedDebt will enhance the effectiveness of the cross-servicing program in numerous ways, such as providing increased flexibility, automating a number of processes that are currently handled manually, and improving system access for customers and service partners. The new FedDebt will also incorporate an enterprise level Business Process Management (BPM) tool to intelligently control debt-related transactions across multiple applications, provide more streamlined accounting, and include modular designed application components for Case Management, PCA Management, Payment Collection, Offset, DOJ Debts, and Administrative Wage Garnishment.

FMS underwent a Program Assessment Rating Tool (PART) review on its Debt Collection Program for the FY 2005 budget cycle. The program received an “Effective” rating and was stated as being a well designed, well managed program with a clear purpose which meets or exceeds its annual performance targets. As a result, the FY 2005 Budget included the following legislative proposals to increase and enhance opportunities to collect delinquent debt which were enacted:

- **Information Comparisons and Disclosure to Assist in Federal Debt Collection** - This proposal authorizes the Secretary of Health and Human Services (HHS) to match information, provided by the Secretary of the Treasury with respect to persons owing delinquent debt to the federal government, with information contained in the HHS National Directory of New Hires, and to disclose to Treasury information obtained from such matches. Information obtained from the National Directory of New Hires would facilitate FMS' debt collection efforts by providing employment information about debtors enabling FMS to issue wage garnishment orders in appropriate cases.
- **Increase in Continuous Levy for Certain Federal Payments** - This proposal allows the Internal Revenue Service to continuously levy up to 100 percent of a federal vendor payment to collect outstanding tax obligations. Under current law, IRS is authorized to continuously levy up to 15 percent of specified federal payments.

FY 2006 PERFORMANCE PLAN – Debt Collection (EXHIBIT 3c)

FY 2006 Proposed Program Performance:

Since Treasury was given responsibility for the collection of delinquent debt in 1996, FMS has sharply increased collections by modifying its debt collection systems to allow for more frequent referrals, adding numerous payment streams that can be offset and categories of debt that can be collected through the Treasury Offset Program, improving the use of private collection agencies, offering administrative wage garnishment, providing a database for barring delinquent debtors, providing educational workshops for the agencies, promulgating guidance and regulations, reporting and measuring agency referral performance, and working with agencies to ensure timely referral of debt. FMS has steadily increased its target for the amount of delinquent debt collected.

In FY 2006, a single interface will be developed to allow agencies to access both Cross-Servicing and Treasury Offset programs with one file format, a single database and a web-based client. This will be implemented in coordination with the development of the expanded FedDebt system. FMS is planning to continue its efforts to expand the ability to offset and levy alternate payment streams. FMS is also planning to continue the expansion of DebtCheck, to modify the Treasury Offset Program for the Secure Payment System & Payment Application Modernization implementations, and to secure the participation of the Department of Education in Salary Offset.

FMS has significantly enhanced its Integrated Document Management System (IDMS) to make its operating environment compatible with the FMS Enterprise Platform. This upgrade will additionally reduce the number of servers on which the system resides, as well as bring IDMS under the umbrella of the FMS disaster recovery plan. FY 2006 changes include adding Private Collection Agencies as IDMS users, and implementing an intelligent workflow tool to electronically route cases, significantly reducing paper flow and accumulation at FMS' Birmingham debt collection center.

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The following legislative proposals were proposed but not enacted for FY 2005 and are being resubmitted as a part of the FY 2006 President's budget request. These proposals are part of FMS' recommended follow-up actions to the Program Assessment Rating Tool (PART) review of the Debt Collection activity.

- **Offsets of Past-Due, Legally Enforceable State Unemployment Compensation Debts Against Overpayments** - This proposal would expand the tax refund offset program to allow for collection of past-due, legally enforceable state unemployment compensation debts.
- **Elimination of Limitations Period on Offset** - This proposal would eliminate the 10-year limitations period applicable to the offset of Federal nontax payments to collect debts owed to Federal agencies. Under current law Federal payments being made to payees who owe delinquent debt to the government cannot be offset if the debt has been outstanding for more than 10 years. The 10-year limitations period has already been eliminated for the Department of Education's student loans.

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (EXHIBIT 3a)

Budget Activity: Governmentwide Accounting and Reporting

The Governmentwide Accounting and Reporting Activity supports Treasury's strategic objective, *Optimize Cash Management and Effectively Administer the Government's Financial Systems*. The function of the Governmentwide Accounting and Reporting Activity is to provide oversight to the Federal Government's central accounting and reporting system, keeping track of its monetary assets and liabilities. It also works with Federal agencies to adopt uniform accounting and reporting standards and systems and provides support, guidance and training to assist Federal Program Agencies (FPAs) to improve their Governmentwide accounting and reporting responsibilities. FMS gathers and publishes governmentwide financial information that is used in establishing fiscal and debt management policies and also used by the public and private sectors to monitor the Government's financial status. These publications include: the *Daily Treasury Statement*, the *Monthly Treasury Statement*, the *Treasury Bulletin*, the *Combined Statement of the United States Government*, and the *Financial Report of the United States Government*.

FMS is building and implementing a system to improve the exchange of financial information among FMS, FPAs, the Office of Management and Budget (OMB) and the banking community. Once completed, this Governmentwide Accounting (GWA) Modernization Project will comprehensively replace current governmentwide accounting functions and processes that are both internal and external to FMS. It will improve the reliability, usefulness, and timeliness of the Government's financial information, provide FPAs, and other users with better access to that information, and will eliminate duplicate reporting and reconciliation burdens by agencies. In addition, FPAs will have better tools for reporting financial information and access to daily account statements for monitoring the status of their financial information at the Treasury. During FY 2003, FMS implemented the on-line, real time Account Statement module of the GWA project, which when fully rolled-out, will enable agencies to balance their fund balance with Treasury on a daily basis. In addition, FMS has accelerated the release of the Monthly Treasury Statement (MTS), which is the

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definitive report on the Government's receipts, expenditures, and resulting surplus/deficit, from the fourteenth business day to the eighth business day.

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE – Governmentwide Accounting & Reporting (TABLE 3.1)

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>GOVERNMENTWIDE ACCOUNTING AND REPORTING BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
Total Operating Level (appropriated and reimbursable)	\$56,227	\$49,835	\$55,387	\$60,054	\$65,696	\$61,748	\$63,786
Total FTE (direct and reimbursable)	390	405	428	423	441	423	423
Treasury Objective: Optimize Cash Management and Effectively Administer the Government's Financial Systems (F4D)							
Appropriated Resources (Salaries and Expense Account)	\$50,522	\$48,935	\$54,887	\$59,554	\$65,196	\$61,248	\$63,286
Direct FTE	386	401	424	419	437	419	419
Offsetting Collections (reimbursable)	\$5,705	\$900	\$500	\$500	\$500	\$500	\$500
Reimbursable FTE	4	4	4	4	4	4	4
Performance Goal: Provide accurate, accessible, and timely Governmentwide financial information and reports, which contribute to improved quality of the Nation's financial decision-making.							
1. Percentage of Governmentwide accounting reports issued accurately. (Oe)	100%	100%	98%	100%	100%	100%	100%
2. Percentage of Governmentwide accounting reports issued timely. (E)	100%	100%	100%	100%	100%	100%	100%
3. Receipt of unqualified audit opinion on FMS' Schedule of Non-entity Assets, Non-entity Costs and Non-entity Custodial Revenues, and Schedule of Non-entity Governmentwide cash. (Oe)	100%	100%	100%	100%	100%	Discontinued	Discontinued
Performance Goal: Facilitate the achievement of a clean audit opinion on the <i>Financial Report of the U.S. Government</i> through FMS' internal operations and support to Government agencies.							
Performance Measures:							

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SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Dollars in Thousands)							
Treasury Goal: Manage the U.S. Government's Finances Effectively (F4)							
<u>GOVERNMENTWIDE ACCOUNTING AND REPORTING BUDGET ACTIVITY</u>	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Target	FY 2004 Actual	FY 2005 Estimate	FY 2006 Estimate
4. Percentage of reporting locations with reconciliation differences, for deposits and payments, less than four months old. (Ot)	Not Applicable	Not Applicable	96%	Discontinued	Discontinued	Discontinued	Discontinued
5. Percentage of reporting locations with reconciliation differences, for deposits and payments, less than three months old. (Ot)	Not Applicable	Not Applicable	Not Applicable	95%	92%	Discontinued	Discontinued
Key: Oe- Outcome Measure, E- Efficiency Measure, Ot- Output/workload Measure, and M- Management/Customer Satisfaction Measure.							

During FY 2004, FMS did not meet the following GWA performance measure:

- *Measure:* Percentage of reporting locations with reconciliation differences, for deposits and payments, less than three months old.
- Target: 95 percent
- Performance: 92 percent

Explanation of Shortfall: FMS has consistently tightened this measure to improve the quality of financial information. It was six months in FY 2002, reduced to four months in FY 2003 and again to three months in FY 2004. However, the 95 percent target remained the same. Had FMS not revised this score for FY 2004, it would have been met. In order to achieve this goal in the future, FMS developed a Quarterly Scorecard showing the results of Federal Program Agency's (FPA) financial reporting performance to measure compliance with FMS reporting requirements in an effort to facilitate meeting the performance goal. The first Quarterly Scorecards were issued to FPA Chief Financial Officers for third quarter activity. Responses to the scorecard thus far indicate significant progress will be achieved in meeting the performance goal.

In addition, many deposit differences are caused by bank errors. Since agencies expressed this concern, FMS is working with the Federal Agencies and the banking community to assist them in making improvements and reconciling their accounts in a timely fashion.

SUMMARY OF REIMBURSABLE RESOURCES – Governmentwide Accounting & Reporting (TABLE 3.2)

Detail of Offsetting Collections (Reimbursable):

The Governmentwide Accounting and Reporting Activity also provides administrative support and governmentwide accounting and reporting services to the FMS' Franchise Fund organization (Treasury Agency Services) on a reimbursable basis.

Reimbursable Program Table - Governmentwide Accounting and Reporting (GWA)

(\$s in 000s)

Program/Client – Description of Services	FY 2004 Enacted	FY 2004 FTE	FY 2005 Proposed	FY 2005 FTE	FY 2006 Proposed	FY 2006 FTE
Total: GWA - Treasury Agency Services Administrative Support	\$500	4	\$500	4	\$500	4

EVALUATION OF FY 2005 PERFORMANCE PLAN - Governmentwide Accounting & Reporting (EXHIBIT 3b)

Evaluation of FY 2005 Program Performance Compared to FY 2004:

FMS issued the FY 2003 *Financial Report of the United States Government* on February 27, 2004, one month earlier than in past years. OMB required agencies to issue their FY 2004 financial statements by November 15, 2004, 45 days after the fiscal year-end, and FMS subsequently accelerated the issuance of the FY 2004 Financial Report to December 16, 2004. During FY 2004 FMS implemented the closing package process through the Government-wide Financial Report System (GFRS). This accelerated timing will allow adequate time to have the financial statements considered in the budget process. In addition, this process will directly link agency financial statements to the Financial Report and should eliminate material weaknesses associated with its preparation. The closing package process enabled FMS to collect agency audited Financial Statement data through GFRS to compile the FY 2004 Financial Report (FR) of the U.S. Government. This process establishes a direct link between the audited Financial Statement of the agencies and the compilation of the FR.

FY 2006 PERFORMANCE PLAN - Governmentwide Accounting & Reporting (EXHIBIT 3c)

FY 2006 Proposed Program Performance:

FMS will continue the multi-year project to rebuild the Government's central accounting system for reporting budget execution information. As part of the system redesign, FMS will provide agencies a web-based account statement resembling a bank statement.

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It will contain summarized Treasury fund account balance activity. Agencies will have daily access through a web-based system to the detail data supporting the items on the account statement for reconciliation and fund reclassification, rather than having to use multiple systems. As a result, final monthly and year-end fund balance information will be available to agencies a full week earlier than today. This will move the Government one step closer to achieving its objective of producing year-end financial information more quickly and reliably.

Work will be ongoing to enhance the Government On-Line Accounting Link System II applications to interface with the new Governmentwide Accounting (GWA) System, and to plan for eventual retirement of other GOALS II applications whose functionality is being absorbed into the new GWA system. Other accounting applications will undergo major changes necessitated by the requirements from the GWA Modernization Project, such as the general ledger processes that are being built into the GWA System which will transform central accounting system transaction reporting from a monthly to a daily transaction-based process. Also, FMS will implement the new Foreign Currency Accounting System as well as modify the Intragovernmental Payment & Collection System to prepare for moving the application to the Treasury Web Application Infrastructure (TWAI) platform.

FY 2006 FEDERAL RESERVE PERMANENT, INDEFINITE APPROPRIATION
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General Statement

The Federal Reserve Banks (FRBs) act as fiscal agents of the United States when directed by the Secretary of the Treasury in accordance with 12 United States Code (U.S.C.) 391. The FRBs support the fiscal operations and provide banking and financial services on behalf of the Treasury of the United States. The Federal Reserve Reimbursement and Fiscal Responsibility Act of 1997 amended section 3302 (f) of title 31, U.S.C. and provided a permanent and indefinite appropriation of amounts necessary to pay the FRBs for the services they provide as fiscal agents on behalf of the Treasury. Since the FRB supports each of FMS' program activities, the performance measures listed in the Salaries and Expense section of this budget apply to the work done by the FRBs. FMS estimates that the cost of FRB services for FY 2006 will be approximately \$220 million.

Federal Reserve Appropriation Summary
(\$s in millions)

	FY 2004 Enacted	FY 2005 Proposed	FY 2006 Estimate
FRB Permanent & Indefinite	\$190	\$200	\$220

FY 2006 FINANCIAL AGENT SERVICES PERMANENT, INDEFINITE APPROPRIATION

General Statement

Congress has given the Secretary of the Treasury longstanding, broad discretion to deposit money in financial institutions and to obtain banking services by designating financial institutions to act/serve as financial agents of the U.S. Government. The services are in support of such programs as the Electronic Federal Tax Payment System (EFTPS), the Lockbox Network, plastic cards, e-commerce systems, and CASHLINK, a deposit reporting and cash concentration system. These and other programs are vital to FMS' Strategic Goals, the Government's critical infrastructure, and the President's emphasis on expanding E-Government. The services provided by such financial institutions are authorized under numerous statutes including, but not limited to, 12. U.S.C. 90 and 265.

In FY 2004, Treasury received a permanent indefinite appropriation to pay for these services. During the first half of FY 2004, Treasury phased out the use of compensating balances. (Although Treasury retains the authority to use compensating balances, we have no current plans to use this authority to pay for banking services in FY 2006.) Beginning in March 2004, Treasury began compensating financial institutions directly for their services as depositories and financial agents. In FY 2004, banks incurred approximately \$413 million in expenses (which equates to the level of services provided to FMS), which was paid using compensating balances and the permanent, indefinite appropriation. Of the \$413 million in expenses, \$240 million was paid by the permanent, indefinite appropriation. FMS' collection mechanisms, which improve cash management by accelerating the availability of funds to the Government, resulted in net interest earnings to the Government of \$136 million.

Financial Agent Services Appropriation Summary
(\$s in millions)

	FY 2004 Enacted	FY 2005 Proposed	FY 2006 Estimate
Financial Institutions	\$386	\$411 ^{1/}	\$322 ^{2/}

^{1/} Beginning in December 2004, the EFTPS is being run by only one Financial Agent which will yield additional efficiency and provide savings to the Government. FMS anticipates the FY 2005 actual amount to be lower than proposed.

^{2/} The FY 2006 decrease is due to FMS renegotiating its banking agreements for EFTPS, which resulted in substantial costs savings (65 percent) for the Government.

SECTION 4 – SUPPORTING MATERIAL

MAJOR MANAGEMENT CHALLENGES AND HIGH RISK AREAS (EXHIBIT 4a)

1. Management Challenge or High Risk Area: Collecting Delinquent Debt Owed to the Government

Issue: Improvements are needed in collecting delinquent debt owed to the Government. This management challenge was identified by the Government Accountability Office (GAO).

Related Goal: Maximize the collection of delinquent debt by providing efficient and effective centralized debt collection services.

FMS no longer considers this to be one of its management challenges. FMS has expanded, strengthened, and improved the debt collection program over the last three years by setting priorities and then accomplishing them. In addition, the debt collection program was thoroughly reviewed by OMB as part of the President’s Program Assessment Rating Tool. The program received an “Effective” rating and was stated as being a well designed, well managed program with a clear purpose which meets or exceeds its annual performance targets.

2. Management Challenge or High Risk Area: Computer Security Controls

Issue: FMS’ entity-wide security control structure has yet to fully address the significant risks associated with its current and evolving computing environment. As FMS provides users greater and easier access to larger amounts of data and system resources, well-designed and effective computer security controls are essential if FMS’ operations and computer resources are to be properly protected. This management challenge was identified by GAO.

Related Goal: Cross-cutting throughout all goals.

Actions Taken:

FMS has implemented an effective entity-wide Information Technology (IT) Security Program by taking the following actions:

- Reviewed and updated all system security plans to ensure compliance with NIST guidance.
- Developed and implemented a strategy for Memorandums of Understanding and Interconnection Security Agreements in accordance with NIST guidance. All major connections have completed agreements.

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- Developed and implemented improved recertification guidelines to include documentation of the application process and identification of least privileges users, high-risk profiles, and multiple IDs and quarterly recertification of powerful users. Annual recertifications have been completed for all application users. These annual and quarterly recertifications have been completed and are an ongoing process.
- Approved stricter standards for account removal.
- Developed baseline configurations for all platforms. Implementation is monitored at senior management level.
- Completed the certification and accreditation activities for all major applications and general support systems.
- Conducted on-going disaster recovery tests, including our Enterprise infrastructure and major applications running on the infrastructure.
- Implemented a process to push out patches more efficiently.

As a result of these actions, FMS' material weakness on general computer controls was closed at the end of FY 2004 and reduced to a reportable condition. Accordingly, FMS no longer considers this to be a management challenge.

3. Management Challenge or High Risk Area: Preparing Financial Statements for the Government

Issue: Federal agencies have been cited as having problems related to fundamental record keeping, incomplete documentation, and weak internal controls which prevent the Government from accurately reporting a large portion of assets, liabilities, and cost. In addition, Treasury has problems related to its preparation of the *Financial Report of the United States Government (FR)*. GAO reaffirmed these deficiencies in their audit of the consolidated FY 2004 *FR*.

Related Goal: Facilitate the achievement of a clean audit opinion on the *FR* through FMS' internal operations and support to Government agencies.

Actions Planned or Underway:

FMS continues its multi-year effort to rebuild the processes it uses to prepare the *FR*. FMS also worked closely with OMB in developing intra-governmental business rules.

During FY 2004, FMS implemented the closing package process through the Government-wide Financial Report System (GFRS). The closing package process enables FMS to collect agency audited Financial Statement data through GFRS to compile the FY 2004 *FR*. This process establishes a direct link between the audited Financial Statement of the agencies and the compilation of the *FR* and addresses the material weakness. FMS will work to enhance the GFRS to correct deficiencies noted by the GAO and to work to improve the consistency, reliability, and accuracy of the *FR*.

PROGRAM ASSESSMENT RATING TOOL REPORT (EXHIBIT 4b)

Financial Management Service	FY PARTed: FY 2003
Program: Debt Collection	Rating: Effective
<p>PART Recommendation 1: Develop a more ambitious long-term performance measure.</p> <p>Actions Planned or Underway: FMS will continuously review the trend in debt collection and will revise/ update the long-term measure as necessary to reflect these trends.</p>	
<p>PART Recommendation 2: Set interim targets and describe interim actions necessary to achieve the long-term performance.</p> <p>Actions Planned or Underway: FMS establishes annual performance measures for collections and referrals of debt by agencies. FMS also identifies and sets program priorities and strategies that will enable FMS to achieve its annual performance measures and outcomes. These interim targets/measures and actions are part of the overall strategy to maximize collections for the Federal government and to improve the efficiency and effectiveness of the debt collection program. These targets/measures and actions help direct efforts to achieve our long-term measure.</p>	
<p>PART Recommendation 3: Level fund the debt collection program for 2005.</p> <p>Actions Planned or Underway: Operate within budgetary resources. FMS has reduced its salary and expenses appropriated funding requirements for this program in recent years and is more fully funding the program through fee revenue.</p>	
<p>PART Recommendation 4: Propose legislation to increase and enhance debt collection opportunities.</p> <p>Actions Taken: Legislation was enacted in FY 2005 which will enhance the debt collection program and increase its revenues.</p>	

Financial Management Service Program: Collections	FY PARTed: FY 2004 Rating: Effective
<p>PART Recommendation 1: Work with program partners to explore opportunities to better reduce paper-based collections.</p> <p>Actions Taken: FMS is working with federal agencies participating in the General Lockbox Network to either convert paper checks received into electronic Automated Clearing House transactions (Electronic Check Processing) or to truncate the paper check and process an image of the check (Check 21).</p> <p>FMS has partnered with Customs and Border Protection (CBP) to develop the financial piece of CBP's Automated Commercial Environment (ACE) System. The major cash flow in ACE will be converted to Pay.gov.</p> <p>FMS will work with federal agencies as it begins to pilot and implement TGA-net, an automated system designed to eliminate the paper deposit ticket which accompanies over the counter deposits by federal agencies at financial institutions.</p>	
<p>PART Recommendation 2: Level fund the collections program for 2005.</p> <p>Actions Planned or Underway: Operate within budgetary resources.</p>	

CROSS-CUTTING COORDINATION EFFORTS (EXHIBIT 4c)

Budget Activity 1: Payments

Performance Goal: Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future.

FMS works with Federal program agencies to ensure Federal government payments are made timely and accurately. This is partly accomplished by FMS working with Federal agencies to identify and remove obstacles to enable more electronic payments. For example, FMS works with the Internal Revenue Service (IRS) to increase electronic payments for tax refunds. FMS, in consultation with Federal agencies, also researches, develops, and tests new technologies to improve Government payments processes.

Budget Activity 2: Collections

Performance Goal: Provide timely collection of Federal receipts, at the lowest cost, through an all-electronic Treasury.

Performance Goal: Establish policies and processes to facilitate the integration of e-commerce technologies into the collections infrastructure.

FMS administers the world's largest collection system. It manages the collection of Federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines and proceeds from leases. FMS focuses on expanding the use of electronic collection mechanisms to assist remitters in making electronic payments to the Government. To accomplish this, FMS works closely with Federal program agencies, tax professionals, small businesses, and financial agent banks.

Budget Activity 3: Debt Collection

Performance Goal: Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services.

FMS provides debt collection services to Federal program agencies and states. By working closely with these customers, FMS has achieved significant increases in agency referrals of delinquent debts, including Federal tax, Federal non-tax, child support, and state tax. FMS works with Federal program agencies, states, the Department of Justice, private collection agencies, and other interested parties to further improve the Federal government's collection of delinquent debt. Examples:

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- FMS is now working closely with non-Treasury disbursed offices (NTDO) to incorporate salary and vendor payments, develop policies and procedures for offsetting grant payments, and enhance mission-critical systems to provide better service to agencies that refer debts to FMS for collection.
- FMS began a major systems development effort known as FedDebt. FedDebt is designed to improve the efficiency of debt collection for Federal creditor agencies and private collection agencies. In FY 2004, FMS redirected FedDebt development to include the integration of Debt Systems into the FMS Enterprise Architecture and a single interface for customer agencies.
- FMS has developed a program, called Debt Check, which will allow Federal credit granting agencies and lenders to determine if a loan applicant owes delinquent child support or Federal non-tax debt in order to bar delinquent debtors from obtaining additional Federal monies.
- FMS has implemented Administrative Wage Garnishment (AWG) for use with its private collection agencies. Roll out of this program will continue.

Budget Activity 4: Governmentwide Accounting and Reporting

Performance Goal: Produce accurate, accessible, and timely Governmentwide financial information and reports, which contribute to the improved quality of the Nation's financial decision-making.

Performance Goal: Facilitate the achievement of a clean audit opinion on the *Financial Report of the United States Government* through our internal operations and support of Government agencies.

FMS provides accounting, reporting, and financial services to the Government-at-large and to the Federal government's agents who participate in the payments and collections processes by generating a series of daily, monthly, quarterly and annual Governmentwide reports. FMS also works directly with agencies to help them reconcile their reporting differences.

The Governmentwide Accounting and Reporting (GWA) Modernization project is improving the quality, timeliness, and access of data and information, eliminating redundant data submission, and reducing the reporting and reconciliation burden on program agencies. The GWA Advisory Group, comprised of OMB, GAO, Federal Reserve Banks, and select Federal agency representatives, provides guidance and assistance with issues directly related to the GWA Modernization project.

FMS is also working closely with Federal program agencies in its effort to strengthen the processes and systems it uses to prepare the *Financial Report of the United States Government*.

DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY CATEGORY (TABLE 4.1)

Position Category	Actual FY 2004	Estimated		Increase/Decrease for FY 2006		
		FY 2005	FY 2006	Total Changes	Program Changes	Other Changes
Statutory executive positions	17	19	19	-	-	-
Policy/program professional staff.....	449	599	599	-	-	-
Administrative staff.....	997	1,000	1,000	-	-	-
Secretarial and clerical.....	112	125	125	-	-	-
Crafts and custodial.....	59	55	55	-	-	-
Subtotal.....	1,634	1,798	1,798	-	-	-
Part-time & temporary full-time equivalent positions.....	20	20	20	-	-	-
Total full-time equivalent positions 1/	1,654	1,818	1,818	-	-	-

1/ Direct FTE and Budget Authority levels in the FMS Salaries and Expenses section of the Budget aggregate appropriated amounts and fees retained for expenditures and FTE derived from Debt Collection activities. The Congressional Justification, however, separates appropriated amounts and retained fees for specific Debt Collection activities. The appropriated amounts are reported in the "Appropriated Resources" section of the Congressional Justification, while the fees retained for expenses and FTE are reported in the "Offsetting Collections" section. As a result, this Justification provides an accurate representation of FMS' direct and Reimbursable budget authority and FTE requests.

DETAIL OF FULL-TIME EQUIVALENT POSITIONS BY GRADE (TABLE 4.2)

Grade	FY 2004 Actual	FY 2005 Estimated Operating Level	FY 2006 Proposed Operating Level
Executive Level 1.....			
Executive Level 2.....			
Executive Level 3.....			
Executive Level 4.....			
Executive Level 5.....			
Subtotal.....	-	-	-
Senior Executive Service Pay Band 1/.....	17	19	19
Subtotal.....	17	19	19
GS-18.....	-		
GS-17.....	-		
GS-16.....	-		
GS-15.....	100	100	100
GS-14.....	240	240	240
GS-13.....	375	405	405
GS-12.....	244	264	264
GS-11.....	118	128	128
GS-10.....	4	12	12
GS-09.....	117	110	110
GS-08.....	40	74	74
GS-07.....	140	170	170
GS-06.....	84	93	93
GS-05.....	61	85	85
GS-04.....	41	45	45
GS-03.....	5	15	15
GS-02.....	3	5	5
GS-01.....	-	-	
Subtotal.....	1,572	1,746	1,746
Other.....	65	53	53
Total full-time equivalent positions 2/.....	1,654	1,818	1,818

1/ PL 108-136 abolishes the six levels of SES pay and replaces it with a new performance-based system effective January 2004.

2/ Direct FTE and Budget Authority levels in the FMS Salaries and Expenses section of the Budget aggregate appropriated amounts and fees retained for expenditures and FTE derived from Debt Collection activities. The Congressional Justification, however, separates appropriated amounts and retained fees for specific Debt Collection activities. The appropriated amounts are reported in the "Appropriated Resources" section of the Congressional Justification, while the fees retained for expenses and FTE are reported in the "Offsetting Collections" section. As a result, this Justification provides an accurate representation of FMS' direct and Reimbursable budget authority and FTE requests.

EXPLANATION OF PROPOSED FISCAL YEAR 2005 BUDGET OPERATING LEVEL
(Dollars in Thousands)

OBJECT CLASS	FY 2005 Pres. Budget as Amended		+ or - Congressional Action	FY 2005 Enacted Level		Other Proposed Reprogrammings		Effect of Transfers, Prop. Supp./ Rescissions		FY 2005 Proposed Operating Level		
	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE		
11.1 Full-Time Permanent Positions.....	113,550	1,818			113,550	1,818				113,550	1,818	
11.1 Other than Full-Time Permanent Positions.....	1,500				1,500	-				1,500	-	
11.5 Other Personnel Compensation.....	2,500				2,500	-				2,500	-	
11.8 Special Personal Services Payments.....					-	-				-	-	
11.9 Personnel Compensation (Total).....	117,550	1,818	-		117,550	1,818	-	-	-	117,550	1,818	
12.0 Personnel Benefits.....	25,075				25,075	-				25,075	-	
13.0 Ben. Former Personnel.....	175				175	-				175	-	
21.0 Travel.....	1,900				1,900	-		(147)		1,753	-	
22.0 Transportation of Things.....	195				195	-				195	-	
23.1 Rental Paym'ts to GSA.....	16,000				16,000	-		(400)		15,600	-	
23.2 Rent Paym'ts to Others.....	365				365	-				365	-	
23.3 Commun., Util., & Misc.....	12,795				12,795	-				12,795	-	
24.0 Printing and Reprod.....	700				700	-				700	-	
25.1 Advisory & Assistance Services.....	4,000				4,000	-				4,000	-	
25.2 Other Services.....	24,400				24,400	-		(400)		24,000	-	
25.3 Purchase of Goods/Serv. from Govt. Accts...	5,300				5,300	-		(300)		5,000	-	
25.4 Operation & Maintenance of Facilities.....	950				950	-				950	-	
25.5 Research & Development Contracts.....					-	-				-	-	
25.6 Medical Care.....					-	-				-	-	
25.7 Operation & Maintenance of Equipment.....	6,500				6,500	-				6,500	-	
25.8 Subsistence & Support of Persons.....					-	-				-	-	
26.0 Supplies and Materials.....	4,400				4,400	-		(100)		4,300	-	
31.0 Equipment.....	10,100				10,100	-		(500)		9,600	-	
32.0 Lands and Structures.....	475				475	-				475	-	
33.0 Investments & Loans.....					-	-				-	-	
41.0 Grants, Subsidies.....					-	-				-	-	
42.0 Insur. Claims & Indemn.....	50				50	-				50	-	
44.0 Refunds.....					-	-				-	-	
TOTAL BUDGET AUTHORITY	230,930	1,818	-		230,930	1,818	-	-	(1,847)	-	229,083	1,818
ACTIVITIES												
1) Payments.....	142,426	1,173			142,426	1,173		(1,139)		141,287	1,173	
2) Collections.....	16,828	113			16,828	113		(135)		16,693	113	
3) Debt Collection.....	9,934	113			9,934	113		(79)		9,855	113	
4) Governmentwide Acctg. and Reporting.....	61,742	419			61,742	419		(494)		61,248	419	
TOTAL BUDGET AUTHORITY	230,930	1,818	-	-	230,930	1,818	-	-	(1,847)	-	229,083	1,818

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STANDARD CLASSIFICATION SCHEDULE Direct Obligations (Dollars in Thousands)

Object Class	FY 2004 Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate	Increases/ Decreases for FY 2006
Object Classification				
Personnel compensation:				
Permanent positions.....	113,191	113,550	117,054	3,504
Positions other than permanent.....	1,612	1,500	1,500	-
Other personnel compensation.....	3,151	2,500	2,500	-
Special personal services payments.....	-	-	-	-
Total personnel compensation.....	117,954	117,550	121,054	3,504
Civilian personnel benefits.....	26,854	25,075	25,950	875
Benefits to former personnel.....	5,446	175	175	-
Travel and transportation of persons.....	1,347	1,753	1,753	-
Transportation of things.....	254	195	195	-
Rents, communications and utilities:				
Rental payments to GSA.....	13,794	15,600	15,300	(300)
Rental payments to others.....	636	365	365	-
Other rents, communications and utilities.....	9,915	12,795	12,658	(137)
Printing and reproduction.....	468	700	700	-
Other services:				
Advisory & assistance services.....	7,563	4,000	4,750	750
Other services.....	16,640	25,593	23,019	(2,574)
Purchase of goods/services from Govt. accts.....	6,858	5,000	6,250	1,250
Operation & maintenance of facilities.....	1,021	950	950	-
Research & development contracts.....	-	-	-	-
Medical care.....	3	-	-	-
Operation & maintenance of equipment.....	8,870	6,500	7,500	1,000
Subsistence & support of persons.....	-	-	-	-
Relocation/perm. change of station (PCS).....	6	-	-	-
Supplies and materials.....	3,529	4,300	4,300	-
Equipment.....	6,872	11,200	10,399	(801)
Lands and structures.....	280	475	475	-
Insurance claims and indemnities.....	346	50	50	-
Interest and Dividends.....	1	-	-	-
Confidential expenditures.....	-	-	-	-
Total obligations.....	228,657	232,276	235,843	3,567
Unobligated balance available, SOY.....	(5,473)	(3,593)	-	3,593
Unobligated balance available, EOY.....	3,593	-	-	-
Unobligated balance expiring.....	433	400	400	-
Total enacted appropriations and budget estimate 1/.....	227,210	229,083	236,243	7,160

1/ Direct FTE and Budget Authority levels in the FMS Salaries and Expenses section of the President's Budget aggregate appropriated amounts and fees retained for expenditures and FTE derived from Debt Collection activities. The Congressional Justification, however, separates appropriated amounts and retained fees for specific Debt Collection activities. The appropriated amounts are reported in the "Appropriated Resources" section of the Congressional Justification, while the fees retained for expenses and FTE are reported in the "Offsetting Collections" section. As a result, this Justification provides an accurate representation of FMS' direct and Reimbursable budget authority and FTE requests.

VERIFICATION AND VALIDATION OF DATA AND PERFORMANCE MEASUREMENT (Exhibit 4F)

The following list presents the definitions and verification and validation information for each performance measure that supports the FMS' annual performance plan and as reported in the Summary of Program Resources and Performance Tables. Based on the verification and validation information, FMS rated each measure's data as having either: "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes) or "Questionable or Unknown Accuracy" (judged to have insufficient accuracy for program management and performance reporting purposes). In the first quarter of FY 2005, Treasury launched a process to streamline its current set of performance measures. Its purpose was to increase the value of the information provided to our stakeholders, respond to congressional requests, focus our priorities, and reduce administrative burden. Results of the process indicated a 60-70 percent reduction in the number of performance measures overall at the Treasury level. At the bureau level, measures that are no longer included in the budget submission are classified as "discontinued", and are indicated as such. The end result will be apparent in next year's performance report and budget submission, in the form of a more concise explanation of program performance relative to prior years.

BUDGET ACTIVITY 1: PAYMENTS

Treasury Strategic Goal: Manage the Government's Finances Effectively.

Performance Goal: Provide Federal payments in a timely and accurate manner; move toward an all-electronic Treasury for payments; and determine the optimal payment processing environment for the future.

Current Performance Measures

1. **Performance Measure:** Percentage of Treasury payments and associated information made electronically.

Definition: The portion of the total volume of payments that is made electronically by FMS. Electronic payments include transfers through the automated clearinghouse and wire transfer payments through the FEDWIRE system.

How Data is Captured: The volume of payments is tracked through FMS' Production Reporting System. The amount and number of payments are also maintained under accounting control.

How the data is verified and validated to make certain it is accurate: Accounting controls provide verification that the number of payments, both checks and EFT, is accurately tracked and reported. The number of inquiries made against Federal check payments, whether disbursed by FMS or by other agencies, is separately tracked and reported. Additionally, payment files are balanced with payment authorizations that are electronically certified and submitted to FMS by Federal program agencies. The Federal Reserve Banks also validate the payment files.

Data Accuracy: **Reasonable Accuracy.**

2. **Performance Measure:** Unit cost for Federal Government Payments.

Definition: This information is prepared according to the managerial cost accounting standards developed by the Federal Accounting Standards Advisory Board. Unit cost combines both paper and electronic payment mechanisms, and includes the aftermath processes (reconciliation and claims) for both types of payment mechanisms.

How Data is Captured: The cost data is captured through an activity based costing process. The unit cost is the calculated ratio of cost per payment.

How the data is verified and validated to make certain it is accurate: At the end of each fiscal year actual costs for issuing payments are accumulated and calculated for both checks and EFT. This information is calculated in conjunction with and verified by the program office, and is reviewed by senior level executives. Additional accounting controls provide verification that the number of payments is accurately tracked and reported.

Data Accuracy: **Reasonable Accuracy.**

New Performance Measure

1. **Performance Measure:** Percentage of paper check and Electronic Funds Transfer (EFT) payments made both accurately and on time.

Definition: Accurately refers to the percentage of check and EFT payments that FMS makes which are not duplicate or double payments. On time means that FMS releases checks to the U.S. Postal Service and EFT payments to the Federal Reserve Bank such that normal delivery by them results in timely receipt by payees.

How Data is Captured: Accuracy data is captured through FMS' Regional Financial Centers (RFCs), which submit statistics on duplicate payments and data for the performance measure. The payments are balanced with payment certifications submitted to FMS by Federal program agencies. On time data on check and EFT volumes are captured monthly in a report from FMS' Production Reporting System (PRS).

How Data is verified and validated to make certain it is accurate: Accuracy is ensured through payment processes and accounting systems that are subject to numerous internal controls and audit reviews. RFC managers validate payment controls. Systems and accounting reports are used to independently validate payment accuracy and identify the number of duplicate payments. FMS' Regional Financial Centers (RFCs) balance input to the PRS with a payment control file. The volume of checks released to the

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Postal Service is verified against the volume of checks listed on Postal Form 3600, which is the receipt form utilized by the Postal Service to verify large-volume mailings. Postal service timeliness is ensured through Form 3600, which contains the time and date of release of checks from RFCs to the U.S. Postal Service. For EFT timeliness verification, the volume of payments released is verified against the volume of payments listed on the transmission report, which also states the time and date of transmission from an RFC to the Federal Reserve Bank.

Data Accuracy: **Reasonable Accuracy.**

Discontinued Performance Measures:

1. **Performance Measure:** Percentage of paper check and Electronic Funds Transfer (EFT) payments made accurately.

Definition: The percentage of check and EFT payments that FMS makes which are not duplicate or double payments.

How Data is Captured: FMS' Regional Financial Centers (RFCs) submit statistics on duplicate payments and data for the performance measure. The payments are balanced with payment certifications submitted to FMS by Federal program agencies.

How the data is verified and validated to make certain it is accurate: Payment processes and accounting systems are subject to numerous internal controls and audit review to ensure accuracy. RFC managers validate payment controls. Systems and accounting reports are used to independently validate payment accuracy and identify the number of duplicate payments. This data is also included in a monthly report to the Office of the Assistant Secretary (OFAS).

Data Accuracy: **Reasonable Accuracy.**

2. **Performance Measure:** Percentage of paper check and Electronic Funds Transfer (EFT) payments made on time.

Definition: "On time" means FMS releases checks to the U.S. Postal Service and EFT payments to the Federal Reserve Bank such that normal delivery by them results in timely receipt by payees.

How Data is Captured: Data on check and EFT volumes are captured monthly in a report from FMS' Production Reporting System (PRS).

How the data is verified and validated to make certain it is accurate: FMS' Regional Financial Centers (RFCs) balance input to the PRS with a payment control file, i.e., the number of check payments certified must match the number of checks mailed. The volume of checks released to the Postal Service is verified against the volume of checks listed on Postal Form 3600, which is the receipt form utilized by the Postal Service to verify large-volume mailings. Form 3600 contains time and date of release of checks from RFCs to the U.S. Postal Service. For EFT, the volume of payments released is verified against the volume of payments listed on the transmission report, which also states the time and date of transmission from an RFC to the Federal Reserve Bank. If an RFC has a payment delay, the RFC prepares and submits a Payment Service Incident report (Flash Report) to Headquarters which

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explains the nature of the payment delay incident, when it occurred, who was notified, type of payment (check or EFT), and steps taken to remedy the situation. The RFC Director is also informed of the payment delay incident and separately notifies Headquarters. Both checks and EFT payments are released according to schedules. Release dates and times are subject to validation through random sampling of Form 3600 for checks and data in FMS' systems.

Data Accuracy: **Reasonable Accuracy.**

3. **Performance Measure:** Percentage of check forgery and non-receipt claims adjudicated within 14 days.

Definition: The portion of claims analysts' determinations made within 14 days to settle, deny or to defer a final disposition of a claim, pending receipt of additional information and/or investigative reports.

How Data is Captured: From FMS' Check Payment & Reconciliation database.

How the data is verified and validated to make certain it is accurate: Reports are reviewed by management on a monthly basis.

Data Accuracy: **Reasonable Accuracy.**

4. **Performance Measure:** Percentage of check forgery and non-receipt claims adjudicated within 12 days.

Definition: The portion of claims analysts' determinations made within 12 days to settle, deny or to defer a final disposition of a claim, pending receipt of additional information and/or investigative reports.

How Data is Captured: From FMS' Check Payment & Reconciliation database.

How the data is verified and validated to make certain it is accurate: Reports are reviewed by management on a monthly basis.

Data Accuracy: **Reasonable Accuracy.**

5. **Performance Measure:** Percentage of payments customers indicating an overall rating of satisfactory or better.

Definition: Satisfaction of payments customers with check and electronic payment services provided by FMS to Federal agencies.

How Data is Captured: It is based on a survey sent to FMS' disbursing customers.

How the data is verified and validated to make certain it is accurate: FMS' Regional Financial Centers (RFCs) review survey results and contact any customer who made less than satisfactory comments. The RFCs provide Headquarters with the results of these contacts. Headquarters reviews the survey results.

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Data Accuracy: **Reasonable Accuracy.**

6. **Performance Measure:** Percentage increase in dollar value loaded onto stored value cards compared to FY 2002 baseline of \$87 million.

Definition: Amount of funds loaded onto stored value cards in comparison to the funds loaded in FY 2002. The stored value card program is an electronic payment system that offers an alternative to cash, checks, money orders, and vouchers by loading funds onto smart cards for the purchase of goods and services at participating merchant locations.

How Data is Captured: The stored value card program retains data on all load and point of sale transactions.

How the data is verified and validated to make certain it is accurate: Data is verified and validated by agencies and merchants reconciling funds loaded onto the card and/or payments to their accounts for the purchase of goods and services. FMS also has checks and balance tools within the system for all data sent into and out of the system and for the integrity of the balance on the card.

Data Accuracy: **Reasonable Accuracy.**

7. **Performance Measure.** FMS will assess the success of its efforts to address employee issues identified in a FY 2002 survey of employee satisfaction in FMS' Regional Financial centers.

Definition: The definition, verification and validation was under development when this measure was discontinued.

BUDGET ACTIVITY 2: COLLECTIONS

Treasury Strategic Goal: Manage the Government's Finances Effectively.

Performance Goal: Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.

Current Performance Measures

1. **Performance Measure:** Percentage collected electronically of total dollar amount of Federal government receipts.

Definition: Percentage of total dollar amount of Government receipts collected by electronic mechanisms compared to total amount of Government collections.

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How Data is Captured: FMS analysts gather deposit information from CASH-LINK, which receives deposit and accounting information from local depositories. The analysts report totals and percentages on a monthly Collections Summary Report and the Total Government Collections Report.

How the data is verified and validated to make certain it is accurate: Agencies are responsible for ensuring that their deposit reports are correct. Financial institutions and Federal agencies report deposits into the CASH-LINK deposit reporting system using an Account Key which identifies the collection mechanism as electronic or non-electronic. The Total Government Collections Report totals all deposits for electronic and non-electronic mechanisms.

Data Accuracy: **Reasonable Accuracy.**

New Performance Measure

1. **Performance Measure:** Unit Cost to process a Federal revenue collection transaction.

Definition: The unit cost to process a revenue collection transaction.

How Data is Captured: The cost data is captured through an activity based costing process. The unit cost is the calculated ratio of total direct and indirect costs over total governmentwide collection transactions.

How the data is verified and validated to make certain it is accurate: At the end of each fiscal year actual costs for collections are accumulated and calculated for electronic and non-electronic collections. In addition, the number of transactions is calculated for each collection system. This information is calculated in conjunction with and verified by the program office, and is reviewed by senior level executives.

Data Accuracy: **Reasonable Accuracy.**

Discontinued Performance Measures:

1. **Performance Measure:** The dollar amount of collections handled through Pay.gov, a Governmentwide transaction portal.

Definition: The dollar amount of collections transacted through Pay.gov.

How Data is Captured: Pay.gov retains information about payment transactions conducted.

How the data is verified and validated to make certain it is accurate: Pay.gov ensures accuracy by daily proofing and balancing of each agency's collections through Pay.gov. This includes reconciling amounts authorized for collection, amounts collected, and amounts reported as deposited on a daily basis.

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Data Accuracy: **Reasonable Accuracy.**

2. **Performance Measure:** Percentage reduction in rate of increase in transaction costs to collect Federal government receipts through the Electronic Federal Tax Payment System compared to FY 2002 baseline.

Definition: This measure reflects FMS' progress and results in ensuring the Government's cost in operating its collection systems are minimized. The Electronic Federal Tax Payment System is Treasury's electronic tax collection system that processes over three-quarters of the Government's collections.

How Data is Captured: FMS receives monthly statements from its Financial Agents (e.g., banks) which report the number of transactions and associated costs for providing the receipt and processing services related to FMS' collection systems.

How the data is verified and validated to make certain it is accurate: FMS reviews statements from Financial Agents on a monthly basis in order to verify and validate transaction volumes, service charges, and total costs of the services. These reports are also used to determine the amount of reimbursement provided to the Financial Agent for services rendered during the reporting period.

Data Accuracy: **Reasonable Accuracy.**

3. **Performance Measure:** Percentage of collections customers indicating an overall rating of satisfactory or better.

Definition: Satisfaction of collections customers with receipt management services provided by FMS and its financial agents to Federal program agencies.

How Data is Captured: It is based on a survey sent to FMS' collection (Federal Program Agency) customers.

How the data is verified and validated to make certain it is accurate: FMS reviews survey results and response rates, and subsequently contacts any customer who made less than satisfactory comments. FMS provides management with the results of these contacts for review.

Data Accuracy: **Reasonable Accuracy.**

BUDGET ACTIVITY 3: DEBT COLLECTION

Treasury Strategic Goal: Manage the Government's Finances Effectively.

Performance Goal: Maximize collection of Government delinquent debt by providing efficient and effective centralized debt collection services.

Current Performance Measures

1. **Performance Measure:** Amount of delinquent debt collected through all available tools.

Definition: The total amount collected through debt collection tools operated by FMS. The tools include: Tax Refund Offset, administrative offset, state tax debt offset, tax levy, private collection agencies, administrative wage garnishment (AWG), demand letters, and credit bureau reporting.

How Data is Captured: Data on debt collection is generated by FMS' collection program systems and is reported on a monthly basis.

How the data is verified and validated to make certain it is accurate: Data from the collection program systems is validated against data contained in FMS' Debt Management Accounting System. The methodology and origin of the data are consistent from month to month.

Data Accuracy: **Reasonable Accuracy.**

2. **Performance Measure:** Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral.

Definition: Percentage of the dollar volume of debt referred to FMS for collection compared to the total dollar volume certified by Federal program agencies as eligible for referral.

How Data is Captured: Referral data is captured in FMS' collection program systems and is reported on a monthly basis.

How the data is verified and validated to make certain it is accurate: Referral data is loaded from files received from Federal program agencies, which are responsible for certifying debt referrals to Treasury. The methodology and origin of the data are consistent from month to month and is reviewed by FMS program analysts.

Data Accuracy: **Reasonable Accuracy.**

New Performance Measure

1. **Performance Measure:** Amount of delinquent debt collected per \$1 spent.

Definition: The Debt Collection Improvement Act (DCIA) of 1996 established Treasury as the Government's centralized debt collection agency. One of the purposes of the DCIA is to minimize the costs of debt collection by consolidating related functions and activities and utilizing interagency teams. This measure shows the efficiency of having a centralized debt collection program.

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How Data is Captured: Collection of data and reporting on the cost of the debt collection program are performed on an annual basis.

How the data is verified and validated to make certain it is accurate: Data from FMS' collection program systems is validated against data contained in the FMS' Debt Management Accounting System by program staff and verified by senior management. Program costs are derived from FMS' accounting system and budget reports. The methodology and the origin of the data are consistent from year to year.

Data Accuracy: **Reasonable Accuracy.**

Discontinued Performance Measure:

1. **Performance Measure:** Percentage increase in amount of debt collected for every dollar of debt collection program cost, compared to FY 2002 baseline of \$52.53.

Definition: The Debt Collection Improvement Act (DCIA) of 1996 established Treasury as the Government's centralized debt collection agency. One of the purposes of the DCIA is to minimize the costs of debt collection by consolidating related functions and activities and utilizing interagency teams. This measure shows the efficiency of having a centralized debt collection program.

How Data is Captured: Collection of data and reporting on the cost of the debt collection program are performed on an annual basis.

How the data is verified and validated to make certain it is accurate: Data from FMS' collection program systems is validated against data contained in the FMS' Debt Management Accounting System by program staff and verified by senior management. Program costs are derived from FMS' accounting system and budget reports. The methodology and the origin of the data are consistent from year to year.

Data Accuracy: **Reasonable Accuracy.**

BUDGET ACTIVITY 4: GOVERNMENTWIDE ACCOUNTING AND REPORTING

Treasury Strategic Goal: Manage the Government's Finances Effectively.

Performance Goal: Produce accurate, accessible, and timely Governmentwide financial information and reports that improve the quality of the Nation's financial decision making.

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Performance Goal: Facilitate the achievement of a clean audit opinion on the *Financial Report of the U.S. Government* through FMS' internal operations and support to Government agencies.

Current Performance Measures:

1. **Performance Measure:** Percentage of Governmentwide accounting reports issued accurately.

Definition: All Governmentwide financial information that FMS publishes relating to U. S. Treasury cash-based accounting reports (i.e., Daily Treasury Statement, Monthly Treasury Statement, and the annual Combined Statement of Receipts, Outlays, and Balances of the U.S. Government) is 100 percent accurate, i.e., there are no errata in any of the published Governmentwide financial information.

How Data is Captured: A monthly tracking system reports on the various published statements and is reviewed by management.

How the data is verified and validated to make certain it is accurate: A monthly tracking system monitors errata as it pertains to this measure.

Data Accuracy: **Reasonable Accuracy.**

2. **Performance Measure:** Percentage of Governmentwide accounting reports issued timely.

Definition: All Governmentwide financial information that FMS publishes relating to U. S. Treasury cash-based accounting reports (i.e., Daily Treasury Statement, Monthly Treasury Statement, and the annual Combined Statement of Receipts, Outlays, and Balances of the U.S. Government) is on time 100 percent of the time.

How Data is Captured: A monthly reporting system tracks dates of release to the public of the various Governmentwide statements.

How the data is verified and validated to make certain it is accurate: Procedures are in place to validate that the statements are released on time to the public 100 percent of the time. Program staff provides information identifying when the reports were issued which is compared to when the reports should have been issued.

Data Accuracy: **Reasonable Accuracy.**

Discontinued Performance Measures:

1. **Performance Measure:** Receipt of unqualified audit opinion on FMS' Schedule of Non-entity Assets, Non-entity Costs and Non-entity Custodial Revenues, and Schedule of Non-entity Governmentwide Cash.

Definition: FMS receives an unqualified opinion when the Schedule of Non-entity Assets, Non-entity Costs and Custodial Revenues and the Schedule of Non-entity Governmentwide Cash present fairly, in all material respects, the balances of the Treasury Managed Accounts, and Governmentwide Cash reported on the schedules. Effective financial management of the Treasury Managed Accounts and Governmentwide Cash that make up the schedules is critical to obtaining a clean/unqualified audit opinion on the Department of the Treasury's financial statements as well as the Financial Report of the U.S. Government. For this reason, FMS established a performance measure for the audit opinion on FMS' financial audit.

How Data is Captured: The auditor's opinions are provided in written reports.

How the data is verification and validation to make certain it is accurate: Independent auditors verify and validate data quality.

Data Accuracy: **Reasonable Accuracy.**

2. **Performance Measure:** Percentage of reporting locations with reconciliation differences, for deposits and payments, less than four months old.

Definition: This measures the extent to which reports on deposits and payments from reporting sources in Federal agencies (ALCs) differ from FMS' data. The ALC identifies an agency, bureau or other reporting source.

How Data is Captured: When a reporting ALC collects or disburses funds it must send FMS a statement of its monthly collections and disbursements.

How the data is verified and validated to make certain it is accurate: FMS has two streams of data (agencies and banks/FMS' Regional Financial Centers), which provide a means to verify the accuracy of data. FMS' core accounting system, STAR, generates monthly reports. These reports show which reporting ALCs submit month end statements that include amounts that are different than control totals maintained by FMS. Each month FMS informs the reporting ALC that a discrepancy in deposits or disbursements exists and must be cleared.

Data Accuracy: **Reasonable Accuracy.**

3. **Performance Measure:** Percentage of reporting locations with reconciliation differences, for deposits and payments, less than three months old.

Definition: This measures the extent to which reports on deposits and payments from reporting sources in Federal agencies (ALCs) differ from FMS' data. The ALC identifies an agency, bureau or other reporting source.

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How Data is Captured: When a reporting ALC collects or disburses funds it must send FMS a statement of its monthly collections and disbursements.

How the data is verified and validated to make certain it is accurate: FMS has two streams of data (agencies and banks/FMS' Regional Financial Centers), which provide a means to verify the accuracy of data. FMS' core accounting system, STAR, generates monthly reports. These reports show which reporting ALCs submit month end statements that include amounts that are different than control totals maintained by FMS. Each month FMS informs the reporting ALC if a discrepancy in deposits or disbursements exists and must be cleared.

Data Accuracy: **Reasonable Accuracy.**